

Plan for Implementation of Recommendations

Operation Jarek

Please complete this schedule with information about how your agency plans to implement each of the ICAC's corruption prevention recommendations arising from the investigation into Operation Jarek. The implementation plan should include details of the actions, timeframes and how your agency proposes to evaluate the effectiveness of the implementation of each recommendation. Please provide the name of a contact person in your agency from whom we can seek more detail if needed. This document should be returned to the ICAC in writing and electronically to ckenny@icac.nsw.gov.au by no later than **28th February 2014**.

Recommendation 1.

That councils communicate to suppliers a clear set of supplier behaviour expectations and the associated consequences for non-compliance.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Council developed a Statement of Business Ethics in 2012, which has since been sent to suppliers with all hardcopy purchase orders. The statement will in future be included in all tender documentation made available to prospective tenderers. Reference will also be made to the statement on all electronically transmitted purchase orders sent to suppliers.

Council employees will receive a copy of the statement as part of an annual refresh of their commitment to Council's Code of Conduct. It will also be specifically included in corporate orientation sessions for new staff.

Supporting material

The Statement of Business Ethics and a sample hardcopy purchase order will be included with this response.

Proposed evaluation methods

Evaluation of the effectiveness of Council's internal communications will be undertaken by Council's Human Resources Department on an annual basis when it conducts the Code of Conduct refresher program. Evaluation will be by way of pre and post refresher surveys, the

results of which will be reviewed by management within 3 months of the survey being conducted.

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Recommendation 2.

That councils develop a proactive and comprehensive supplier engagement framework.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Council will develop a Supplier Engagement Framework that will incorporate strategies described in the report. Council will consider the appropriateness of each of the strategies described in the report for its own particular circumstances and operating environment.

This Framework will need to reflect Council's unique position as a user of goods and services in a remote location.

Supporting material

The Supplier Engagement Framework will be a stand-alone document that will be provided once it is developed.

Proposed evaluation methods

Evaluation will be undertaken by Council's Procurement section, and will take the form of an annual survey of staff involved in procurement activities.

It is expected that this report will be provided to management within 2 months of being undertaken.

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<Insert report name>

Recommendation 3.

That councils review their codes and policies on gifts and benefits to ensure they effectively communicated expected behaviour in a way that the intended audience can easily grasp.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Council's Code of Conduct and Gifts and Benefits Policy provide the appropriate information and are well understood by employees. Employees recommit to the Code of Conduct annually.

Training in relation to the Code and the Policy will be included in Council's corporate orientation program for new and existing employees. Training will incorporate examples of everyday situations involving gifts and benefits that could be encountered by employees in performance of their roles.

Supporting material

Council's Code of Conduct and Gifts and Benefits Policy are provided in support of Council's current activities, together with an example of a declaration submitted in accordance with the Policy.

Proposed evaluation methods

Evaluation will be by way of staff survey at the end of corporate orientation sessions undertaken by Council's Human Resources section.

Survey results will be provided to management within one month of the orientation sessions being held.

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Recommendation 4.

That councils ensure their policy provides that all staff who hold financial delegations are prohibited from receiving gifts of any kind.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Council is satisfied that its Code of Conduct and Gifts and Benefits Policy provide adequate safeguards in relation to the receipt of gifts.

The Policy specifically refers to “Designated Persons” within Council, who are directly involved tendering, procurement and planning and development matters. These Designated Persons are prohibited from accepting gifts and benefits of any kind, regardless of value. .

Due to the number of staff with financial delegations, Council is of the view that it is unrealistic to expect that all staff who hold such delegations be prohibited from receiving gifts of any kind, as this would have unintended detrimental consequences.

Supporting material

As per Recommendation 3.

Proposed evaluation methods

As per Recommendation 3.

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Recommendation 5.

That councils ensure that staff training on gifts has a focus on the disciplinary consequences of accepting gifts.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Training in relation to the Code and the Policy will be included in Council's corporate orientation program for new and existing employees. Training will highlight the disciplinary action that could be taken against employees who accept gifts. It will also use real-life examples of the impacts that could be felt by employees found to have breached rules relating to gifts.

This message will also be reinforced with the annual Code of Conduct refresher program.

Supporting material

Council's Code of Conduct and Gifts and Benefits Policy are provided in support of Council's current activities.

Proposed evaluation methods

Evaluation will be by way of staff survey at the end of corporate orientation sessions undertaken by Council's Human Resources section.

Survey results will be provided to management within one month of the orientation sessions being held.

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Recommendation 6.

That councils assess which of their staff members operate in an environment where relational selling is commonplace, and equip these staff to recognise and respond to these sales tactics, including the offer of gifts.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Assessment will be undertaken by senior management.

Fact sheet to be developed to assist managers in conducting one on one discussions with relevant staff members. Similar fact sheet to be developed for staff, containing real-life examples of relational selling techniques used by suppliers.

Supporting material

Fact sheets on relational selling for both management and general staff.

Proposed evaluation methods

Evaluation will be by way of questionnaires to be completed by managers and staff following one on one discussions.

Results of evaluation will be provided to management annually.

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Recommendation 7.

That councils, if they have not already done so, analyse their procurement processes to identify points of corruption risk and take steps to improve the design of their procurement processes.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

All procurement methods will be subject to systematic review and re-designed where appropriate.

Supporting material

Risk assessment of all current processes.

Flow charts/process maps of existing and proposed procurement processes will be developed.

Proposed evaluation methods

Evaluation will be by way of sample testing procurement transactions to ascertain levels of non-compliance with established procedures.

Results will be reported to management on an annual basis.

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Recommendation 8.

That councils if they have not already done so, consider introducing e-procurement as an efficient method of controlling possibly vulnerabilities in their system.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Council has implemented e-procurement processes that allow for the electronic processing of purchase orders.

Council has also recently moved to transact more of its tendering business online, with all tenders now being submitted to Council electronically.

Supporting material

Sample purchase order. Sample report from purchasing module.

Proposed evaluation methods

Evaluation will be undertaken by reviewing reports containing purchasing data.

Reports will be provided to managers on a quarterly basis.

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Recommendation 9.

That councils, if they have not already done so, review which reports are available to the managers of stores and ensure they (councils) can generate a report showing the orders placed by any individual across all cost centres.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Reporting from Council's inventory management and electronic purchase order systems will be enhanced to provide more detailed information in relation to purchasing activities.

Stores and inventory management processes will also be reviewed and internal controls strengthened where appropriate to do so.

Supporting material

Sample reports will be provided once developed.

Proposed evaluation methods

Evaluation will be undertaken through the analysis of purchasing and stores issues patterns.

Data will be provided on a quarterly basis to management for review.

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Recommendation 10.

That councils, if they have not already done so, analyse inventory management systems with a view to improving controls and reducing waste.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Council's inventory holdings have been reviewed and rationalised over the last 2 years. Obsolete inventory has been sold or otherwise disposed of.

A review of the stores function has led to changes in the operation of the stores and a reduction in the range and number of inventory items. Further review and analysis of inventory data will be undertaken to improve understanding of inventory use within Council.

Stores processes will be mapped and documented and internal controls strengthened or improved as part of this work.

Random spot checks of the store will also be conducted on an irregular basis.

Supporting material

Stocktake reports from 2012 and 2013 showing reduction in stock holdings. Process maps and procedure documents.

Proposed evaluation methods

Evaluation will be by way of analysing inventory movement patterns over time. The evaluation will be undertaken by the Procurement and Finance teams on a quarterly basis.

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Recommendation 11.

That councils examine options for control of their pull-based inventory and implement an option that is suitable for their operations.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Council will review its project management and supervisory methodology and the manner in which materials are ordered and used in the field.

Council has commenced the introduction of a formalised project management framework and will consider how it can be applied at an individual project level with regards to materials and inventory management.

The introduction of an asset management system in the near future should also better enable Council to manage the allocation of materials and inventories to asset-related projects.

Supporting material

Project management methodology documents.

Proposed evaluation methods

Evaluation will consist of a review of materials and inventory costs for specific projects and activities.

Evaluation will be undertaken on an annual basis by line management.

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Recommendation 12.

That councils, if they have not already done so, organise their stores so that all items are labelled clearly, stock is securely stored and movement of all goods in or out of the store is recorded on an integrated inventory management system.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Whilst Council's store is generally organised as described, there is a need to improve labelling and other aspects of the store's physical layout. A review of the store's physical operating environment will be conducted.

All inventory movements are electronically recorded in Council's inventory management system.

Supporting material

Before and after photographs will be provided to demonstrate improvement in the labelling of inventory and the physical store environment.

Proposed evaluation methods

Nil.

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Recommendation 13.

That councils ensure stocktakes are conducted independently of store officers and by staff knowledgeable about the principles of stocktaking.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Nil. Annual stocktakes are already undertaken by the Procurement Manager, independent of Council's Storesperson.

Supporting material

Nil.

Proposed evaluation methods

Nil.

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Recommendation 14.

That council management assesses the residual risk in its store and, if appropriate for the organisation, conducts random spot checks or cycle counts on select aspects of inventory management.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Refer recommendation 10.

Supporting material

Refer recommendation 10.

Proposed evaluation methods

Refer recommendation 10.

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Recommendation 15.

That councils, if they have not already done so, consider the risks highlighted by this report, namely,

- relational selling and gift giving
- procurement processes
- inventory management

and, where they consider the council is at risk, add these topics to their internal audit programs.

Summary of response

The recommendation will be:

<check one>

- Implemented as described in the report
- Implemented in an alternative way
- Partially implemented
- Not implemented

Action proposed

Further consideration will be given to the risks identified in the report and Council's exposure to such risks. Specific risks will be included in Council's corporate risk assessment documentation.

This Plan for Implementation of the recommendations from the Operation Jarek report will be included on the agenda for consideration at the next meeting of Council's Audit Committee, likely to be held in early April 2013.

Supporting material

Corporate risk assessment document.

Internal audit program (if established).

Audit Committee agenda for next meeting.

Proposed evaluation methods

Evaluation will be by way of review of the implementation of the actions proposed in the preceding 14 recommendations.